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DIRECTORATE OF  
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South Vietnam: President Thieu has finally asked the National Assembly for decree powers to deal with the country's economic difficulties.

To press the Assembly to grant his request, Thieu threatened, according to the press, that it might otherwise be necessary to devalue the piaster. He had informed the cabinet on 16 May of his intention to take such an approach.

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Thieu surfaced the idea of special economic decree powers earlier this year. He obviously anticipates considerable legislative resistance to the grant of such powers, and he has apparently settled on the threat of devaluation as one way to force the Assembly to give him what he wants.

Thieu opposes devaluation because he fears the resulting price rises would spark a new wave of political unrest that would be worse than the discontent that followed the imposition of austerity taxes last fall. He warned his cabinet that a crisis might develop that could become severe enough to bring down the regime.

It seems doubtful that Thieu's ploy to win limited tax decree powers will succeed. If he does opt for devaluation, it is unlikely that the blame would fall on anyone but himself. Whatever steps he takes, some way must be found to limit South Vietnam's inflation, particularly its impact on the military and officialdom, and these measures will cause new discontent among whatever groups must bear the cost.

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West Germany - USSR: The Soviets, in their talks with West German negotiator Bahr, are stressing that the European border question is the central issue between them.

In the second meeting of this series, Foreign Minister Gromyko outlined a Soviet formulation on borders. Moscow proposed irrevocable West German "recognition" of the integrity of all existing European boundaries, with the Oder-Neisse and the East - West German borders specifically mentioned. Moscow indicated that it would not let other issues, such as earlier demands for immediate German ratification of the nonproliferation treaty, impede the progress of the talks and hinted at readiness to honor the West German position regarding eventual reunification. Perhaps encouraged by the course of the talks thus far Moscow now appears to be making a determined effort to find common ground with the West Germans on the key question of borders.

In response, Bahr indicated that several of the proposed Soviet formulations still were not acceptable to the Germans, particularly the demand for complete, formal "recognition" of specific borders. He insisted that Bonn could agree only to the formula it had proposed to the Poles--that the Germans are willing to "respect" the Oder-Neisse frontier "now and in the future," but final confirmation must await the conclusion of a peace treaty.

Despite the gap between the two sides on the border issue, Bahr told Allied ambassadors in Moscow yesterday that he believes "some progress" has been made and that it is again time for the conferees to summarize results for their governments. Also, in a statement to the press, he asserted his personal view that the two sides are now theoretically in a position to enter formal negotiations. Bahr returns to Bonn today.

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